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November 3, 1999

SBC picks suppliers to implement Project Pronto

SBC Communications announced that it will work with six primary suppliers to implement its $6 billion Internet initiative called Project Pronto. The suppliers are: Advanced Fibre Communications Inc.; Alcatel; Lucent Technologies; Newbridge Networks Inc.; Nortel Networks; and Siecor. The new Project Pronto network structure is expected to generate $1.5 billion in annual expense and capital savings by the 2004, according to SBC officials.

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TODAY'S NEWS

Wednesday, November 3, 1999, 4:35 PM ET.

Carriers Set Network Upgrades

By CHUCK MOOZAKIS

SBC Corp. today announced the list of primary vendors it will use to build its $6 billion Internet data and voice network.

The carrier last month unveiled "Project Pronto," a plan to make broadband services available to 80 percent of its customers over the next three years and accelerate the transformation of its current TDM infrastructure to a packet-switched platform—using voice trunking over ATM as its technology of choice.

To that end, SBC tapped six vendors: Advanced Fibre Communications Inc., Alcatel, Lucent Technologies, Nortel Networks Siecor and Newbridge Networks. The selection of Newbridge came one day after the firm's president resigned amidst warnings that Newbridge would post lower-than-expected earnings.

SBC said it will dramatically boost the number of customers eligible to receive DSL by pushing fiber closer to customers and thus eliminating distance-limitations now restricting DSL access. SBC now has about 100,000 DSL subs; it expects to have 77 million hooked up after Project Pronto is completed.

In other carrier developments, AT&T said it is accelerating its planned upgrade of its fiber backbone from OC-48 (2.5 Gbps) to OC-192 (10 Gbps). The carrier, which originally said it wouldn't offer OC-192 speeds until next year, later this month will provide OC-192 service in the part of its network linking Cambridge, Mass., and New York. The rest of the carrier's network will be upgraded in 2000.

Global Crossing, which also is planning OC-192 throughput throughout its network, said it has completed its test of an IP-over OC-192 field trial using Lucent's multiterabit router/switches and Pirelli's Hyper-Dense Wave Division Multiplexing fiber optic transmission system. The carrier passed production IP traffic between Chicago and Cleveland during the test. It will roll out the service commercially on its North American Crossing span during the first half of 2000.

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News

SBC To Use World-Class Suppliers to Help Build Its Next-Generation Broadband Network

SAN ANTONIO--(BUSINESS WIRE)--Nov. 3, 1999--

Company selects industry-leading manufacturers to implement "Project Pronto" - a $6 billion initiative to accelerate network convergence and transform SBC into America's largest single broadband provider.

SBC announced today the initial primary suppliers it will work with to create a vast, sophisticated next-generation broadband network.

Last week, SBC announced a $6 billion initiative - "Project Pronto" - that will make broadband services available to 80 percent of its customers over the next three years and accelerate the convergence of its voice and data backbone systems into a next-generation, packet- switched platform. SBC will achieve these goals by pushing fiber and Digital Subscriber Line (DSL) equipment deeper into the neighborhoods it serves, and deploying the industry's most advanced packet-switching technology - voice trunking over Asynchronous Transfer Mode (ATM) - to create a highly efficient and integrated voice, data and video backbone network. The new network structure is expected to generate $1.5 billion in annual expense and capital savings by the year 2004.

To implement Project Pronto, SBC will work with six primary suppliers: Advanced Fibre Communications, Inc., Alcatel, Lucent Technologies, Newbridge Networks, Inc., Nortel Networks, and Siecor.

"These suppliers share our commitment and vision to making our next-generation network a reality and making broadband readily available to all customers," said Steve Welch, SBC's President - Corporate and Administration Services. "These industry leaders will give us the state-of-the-art equipment and capabilities to create a network that is among the most sophisticated, efficient, flexible and scalable in the industry. SBC has the confidence that these suppliers will not only deliver the best technology available, but will meet the time and volume demands of our three-year network build-out."

Today, customers must reside within 3.5 miles of a central office to receive DSL service. Through Project Pronto, SBC will overcome this distance limitation by using advanced fiber optics and neighborhood broadband gateways containing next-generation digital loop carriers to push DSL capabilities now housed in central offices closer to customers. This will make DSL service available to approximately 80 percent of SBC customers.

The six initial primary suppliers will provide a range of state-of- the-art technologies that SBC plans to use to bring Project Pronto to life: As part of the project, SBC will continue to place DSL Access Multiplexers (DSLAM) into central offices and deploy neighborhood broadband gateways and fiber optic facilities throughout its territories, in both urban and rural areas. Additionally, ATM-based switching technology will be used to integrate SBC's voice and data backbone networks and transport voice traffic the same way it does data - via packets.

SBC's next-generation network will help transform SBC over the next three years into America's largest, single provider of advanced broadband services, making super-fast, always-on DSL access available to almost all of its customers and creating a platform to deliver next- generation, broadband-powered services.

SBC Communications Inc. (http://www.sbc.com) is a global communications leader. Through its trusted brands - Southwestern Bell, Ameritech, Pacific Bell, SBC Telecom, Nevada Bell, SNET and Cellular One - and world-class network, SBC provides local and long-distance phone service, wireless and data communications, paging, high-speed Internet access and messaging, cable and satellite television, security services and telecommunications equipment, as well as directory advertising and publishing. In the United States, the company currently has 59 million access lines, 10.1 million wireless customers and is undertaking a national expansion program that will bring SBC service to an additional 30 markets. Internationally, SBC has telecommunications investments in 22 countries. With more than 200,000 employees, SBC is the 14th largest employer in the U.S., with annual revenues that rank it among the largest Fortune 500 companies.

Information set forth in this news release contains financial estimates and other forward-looking statements that are subject to risks and uncertainties. A discussion of factors that may affect future results is contained in SBC's filings with the Securities and Exchange Commission. SBC disclaims any obligation to update or revise statements contained in this news release based on new information or otherwise.

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Southwestern Bell's Project Pronto:

"SBC's $6 Billion Dollar Gamble on DSL"

(DSL *ON BOARD*)

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SBC recently announced Project Pronto, a $6 billion overhaul of its network infrastructure to expand it's broadband digital subscriber line technology plans. Project Pronto's impact on Kansas will be immediate and significant, extending DSL services beyond current distance limitations. Scheduled for completion in late 2002, Project Pronto calls for:

- Extending fiber networks closer to customers.
- Installing DSL remote terminals so the technology can reach more than 80% of customers.
- Converting business T-1 circuits from copper lines to fiber, enabling fast turn-ups of new broadband services.
- Installing ATM switches in SBC's trunking backbone, replacing circuit switches.

The minimum guaranteed download speed for DSL will jump from 384K bit/sec to 1.5M bit/sec, but the price will remain the same at $39 per month. The maximum speed will jump from 1.5M bit/sec to 6M bit/sec for $129 per month.

After Project Pronto is completed, all customers who can get DSL will be guaranteed the 1.5M bit/sec downloads. Only 60% will be close enough to SBC's DSL mulitplexers to get 6M bit/sec.

SBC says it expects to take in $3.5 billion more per year from its DSL services after Project Pronto but would not say whose equipment will be used in the upgrade.

Of the $6 billion, 75% will be spent on local loop improvements and the rest on backbone upgrades. SBC says it expects to capture 40% of the broadband access business in its service area, with the rest being split by cable providers and business-oriented competitive local exchange carriers. SBC says it may have to buy up two more companies, one to give it a wireless presence and another to help its strategy of expanding into local markets outside its home territory.

SBC has bought up Pacific Telesis, Nevada Bell, Southern New England Telephone Company and Ameritech since the Telecommunications Reform Act of 1996 was passed.

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Published Monday, October 25, 1999

SNET speeds up Internet service for millennium

BY ALYSSA GREENWALD
Contributing Reporter

Once upon a time, Internet access was a remote privilege for a select few. Lately, it has become a staple of many a household, but at times it still seems more like a curse than a blessing.

However, busy phone lines and slow modems could be a thing of the past -- at least in Connecticut. SNET Corp. announced on Oct. 18 that it would spend millions of dollars to bring high-speed, always-connected Internet access to 20 Connecticut communities by the first quarter of next year.

This initiative is part of Project Pronto, a three-year plan to bring this type of Internet access to 35 million households. A $6 billion undertaking, Project Pronto is actually the idea of SNET's parent company, SBC Communications. The aim of Project Pronto is to keep other companies from stealing any of its 59 million phone-line consumer base.

Industry analysts nationwide have said this move is necessary to stay alive and compete in the present-day race of providing fast Internet access.

This new service is known as Asymmetrical Digital Subscriber Line. It provides Internet access at speeds 50 times faster than a 28.8 modem without tying up the phone line.

To test the effectiveness of this Internet access, SNET began last winter to conduct beta tests in many Connecticut towns and cities, including New Haven. There is a high possibility New Haven may be chosen as one of the 20 Connecticut communities to have this new service implemented as early as next January. By 2002, 80 percent of Connecticut households would be eligible for access.

"It would have an impact on the Yale community," said Sue Schaeffer, a representative of SNET Corp. "It would make Connecticut on the cutting edge in relation to the rest of the country."

Despite SNET's claims, many students and some professors are doubtful that ADSL will have any impact on the Yale community. At $39 to $159 a month, the service is much more costly than more conventional Internet services such as America Online. Also, there are already many cable companies serving the New Haven area including Comcast Cablevision, Cox Communications and TeleCommunications Inc. that offer a similar high-speed Internet access.

Moreover, since most students use Ethernet cards for Internet capability, this service would not affect those living on-campus. Ethernet cards already offer higher speeds than modems do -- without the hassles of phone-lines.

"I doubt the new program will affect students, but for the rest of the New Haven community it could be very beneficial," said Michael Lew '03 said. "If other members of the New Haven community get access to this service, they would be up to speed with students, lessening the gap between students and the community at large."

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Cable World

SBC Gambles $6B on Broadband Play

By Karen Brown and Alan Breznick

Fresh off FCC approval of its $75 billion purchase of Ameritech Corp., SBC Communications Inc. is aggressively taking on AT&T Corp. and other major MSOs by dramatically stepping up its rollout of fast Internet service over common copper phone lines.

The bold, $6 billion initiative by SBC, now the nation's largest local telephone company by far, will make high-speed digital subscriber line (DSL) service available to an estimated 77 million people in nearly 35 million homes and businesses over the next three years. That represents about 80% of the company's total customer base in 13 states and more than half of the entire cable universe in the U.S.

"This is aimed 100% at AT&T and other cable operators," said industry analyst Michael Harris, president of Kinetic Strategies Inc. "Cable operators who don't take that seriously are kidding themselves."

Indeed, SBC executives believe that they will sign up 6.7 million DSL customers by the end of 2004, or about 20% of the homes and businesses reached in their territories, making their company the largest provider of advanced broadband services in the U.S. By comparison, cable operators now have somewhere between 1.3 million and 1.4 million cable-modem subscribers in the U.S. and Canada today, on their way to a projected 1.6 million to 1.8 million data customers at year's-end.

"SBC's announcement underscores how much more quickly DSL deployments are occurring," said Cynthia Brumfield, principal analyst at Broadband Intelligence Inc. She estimates that the telephone industry will close the year with as many as 700,000 residential DSL subscribers, up from just 60,000 at the end of 1998.

Attempting to use SBC's initiative to its advantage in the ongoing battle over open access to broadband cable lines, the NCTA quickly issued a statement last week. In the statement, NCTA president/CEO Robert Sachs argued that the move is "further evidence that the marketplace is working and that government regulation of broadband Internet services is inappropriate."

With the ambitious "Project Pronto" move, SBC officials anticipate generating $3.5 billion in annual broadband revenue within five years. Overall, they project that the $6 billion infrastructure upgrade and line extensions will reap $10 billion in extra revenue.

"We foresee it paying for itself in a short time period," a company spokesman said. The company will charge $39 a month for its lowest level of DSL service, not including the monthly Internet service provider (ISP) fee, making it a bit more expensive than cable modems today.

SBC boasts that it's already the nation's leading DSL provider, with about 100,000 high-speed Internet customers at the close of the third quarter, up from just 32,000 at the end of June. Most of these subscribers are in California, where the company's Pacific Bell unit now offers DSL service to about 6 million homes and businesses, particularly in the San Francisco Bay area, and has started blanketing the state with TV commercials extolling DSL's virtues.

Company executives are seeking to hit the 200,000-customer mark by year's-end. U S West Inc., the nearest phone rival, now has about 70,000 DSL subscribers and is striving to reach 100,000 by year's-end.

"We believe we have first mover advantage," another SBC spokesman said. "We're doing this on a scale nobody on the telco side has imagined yet."

SBC's massive infrastructure upgrade actually accelerates its existing capital program, which has averaged $1 billion per year over the past few years. The upgrade push has been fired by the swift growth of data services, which have risen 30% since last year. By comparison, voice service business has climbed just 7%, according to a spokesman.

Project Pronto's strategy is to push fiber-optic lines closer to the customer, extending the reach of DSL service beyond the traditional fiber local loop. Plans call for 1,400 central telephone offices to sport DSL gear, as well as the addition of about 12,000 miles of fiber and 25,000 remote, foot-locker-sized neighborhood broadband gateways.

Even though SBC now owns Ameritech's overbuild cable systems in the Midwest, which have more than 200,000 subscribers in over 100 communities, the parent company has no plans to offer cable modems to its customers. "We've looked carefully at both technologies and we believe DSL is the preferred platform," a spokesman said.

(October 25, 1999)

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SBC's DEFENSIVE GAME PLAN: Planning for the future with a $6 billion salary cap

After recently acquiring Ameritech, SBC Communications is on a spending spree again. Instead of buying more companies, SBC is beefing up its access business with a $6 billion investment to future-proof its customer base.

Under Project Pronto, the incumbent plans to increase its high-speed access availability and supply approximately 80% of its customers with asymmetrical DSL (ADSL), installing new equipment and new fiber where necessary. SBC's recently announced 30 new markets will not be part of the project.

"Through Project Pronto, we will create a new broadband platform," said Edward Whitacre, chairman and CEO of SBC. To keep up with competitors, SBC will offer voice over ADSL, switched virtual circuits for telecommuters and high bit-rate DSL (HDSL).

About 75% of the $6 billion will be invested in the local loop, where SBC plans to shove fiber deeper into neighborhoods, equip 1400 central offices with DSL access multiplexers and install 25,000 broadband gateways in neighborhoods.

SBC hopes to entice small business and residential customers to the data side by expanding availability in areas only reachable by alternate technologies such as cable or more expensive options such as T-1 lines. James D. Gallemore, executive vice president of strategic marketing and planning for SBC, said that "75% of the investment is going to customers [SBC] can not currently reach today." SBC expects to cannibalize some of its T-1 and ISDN revenue with the expanded DSL offering, but the new customers are expected to offset that loss.

Project Pronto is not a response to competitors' moves but a result of customers' needs, Gallemore said, although SBC wants "to get to more customers faster than anyone else."

However, the $6 billion investment is a direct response to moves and assets gained by competitors such as AT&T, said Melanie Posey, telecom analyst with IDC. "This is really not about DSL, it is more about SBC positioning itself as a next generation packetized carrier like Qwest [Communications] and Level 3 [Communications]."

Despite SBC's initial emphasis on ADSL and in some cases HDSL, the long-term plan encompasses very high bit-rate DSL, a technology often associated with video transmissions, said Steve Dimmett, vice president of consumer marketing for SBC. "We have to look at what the customer wants." Many of those customers may want alternatives for video applications, he added.

"SBC recognized if they didn't move fast, they would lose their customer base," said industry analyst Jeffrey Kagan. "The future is data and this is SBC's way to future-proof their network for tomorrow."

Providing DSL allows SBC to tap into markets that formerly seemed too bothersome, Posey said. That in turn brings the incumbent into competitive carriers' territory, who don't appear concerned about the threat.

"Even with the 30 new markets, they still don't focus on the small to medium-sized business market, while we do," said Robert McCausland, vice president of regulation and interconnection at Allegiance Telecom. Although McCausland does see the potential for eventual consolidation between competitive local exchange carriers, he said that "plenty of customers seem to be looking for alternatives to the incumbents."

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SBC gambles big on DSL

*October 20, 1999*
Web posted at: 10:10 a.m. EDT (1410 GMT)

by Tim Greene

From...
NetworkWorld
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S I T E

(IDG) -- SBC on Tuesday announced Project Pronto, a $6 billion overhaul of its network that gambles on digital subscriber line technology to provide broadband services.

Scheduled to be completed by the end of 2002, Project Pronto calls for:

- Extending fiber networks closer to customers.
- Installing DSL remote terminals so the technology can reach more than 80% of customers.
- Converting business T-1 circuits from copper lines to fiber, enabling fast turn-ups of new broadband services.
- Installing ATM switches in SBC's trunking backbone, replacing circuit switches.
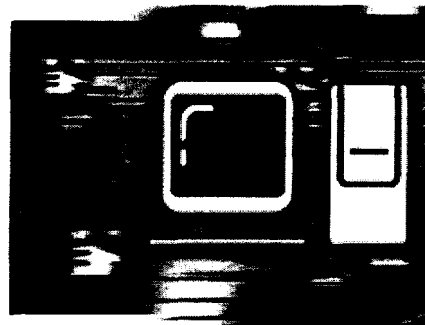
SBC promises the network will be user controlled, giving customers the ability to turn services on and off.

The minimum guaranteed download speed for DSL will jump from 384K bit/sec to 1.5M bit/sec, but the price will remain the same at $39 per month. The maximum speed will jump from 1.5M bit/sec to 6M bit/sec for $129 per month.

After Project Pronto is completed, all customers who can get DSL will be guaranteed the 1.5M bit/sec downloads. Only 60% will be close enough to SBC's DSL mulitplexers to get 6M bit/sec.

SBC says it expects to take in $3.5 billion more per year from its DSL services after Project Pronto.

SBC would not say whose equipment will be used in the upgrade, but says Lucent and Nortel ATM gear will be in trails soon to act as trunking switches to anchor traditional local voice switches.

Of the $6 billion, 75% will be spent on local loop improvements and the rest on backbone upgrades.

SBC says it expects to capture 40% of the broadband access business in its service area, with the reset being split by cable providers and business-oriented competitive local exchange carriers.

SBC says it may have to buy up two more companies, one to give it a wireless presence and another to help its strategy of expanding into local markets outside its home territory.

SBC has bought up Pacific Telesis, Nevada Bell, Southern New England Telephone Company and Ameritech since the Telecommunications Reform Act of 1996 was passed.

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SBC unveils $6 billion high-speed Net effort
By Reuters
Special to CNET News.com
October 18, 1999, 12:20 p.m. PT

update NEW YORK--SBC Communications unveiled a $6 billion effort today to make it one of the top providers
of high-speed access to the Internet.

The three-year initiative to provide faster online access to about 77 million customers puts SBC in the fight for the
quickly expanding Internet market as phone companies shift away from traditional voice services toward
advanced data and video services.

"This initiative is about the future," chief executive Edward Whitacre Jr. said in a statement.

The effort, called Project Pronto, is aimed at "building a new company" around
Internet users while providing "dialtone-like reliability," he said.

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Analysts said SBC showed it was willing to compete with such companies as
AT&T and MCI WorldCom in the booming market for online transmission of
data, video, and other services.

The Internet effort also is a way to meet regulators' concerns about competition.

With the completion of its $61 billion purchase of Ameritech this month, San
Antonio-based SBC has a third of U.S. phone access lines. It is the dominant
provider in states in the Midwest and the West coast.

SBC agreed to
unprecedented
concessions to get
Federal
Communications Commission approval for its Ameritech
purchase. They included offering high-speed Internet
access and entering 30 markets outside its local region.

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The new project, using digital subscriber line (DSL), will
allow users access to voice, video and data services at speeds up to 200 times faster than a standard modem
connection. The company predicts the new business will generate $3.5 billion in new revenue by 2004.

The service will reach about 80 percent, or 77 million, of SBC customers by the end of 2002, and eventually will
extend to all customers in the phone company's service areas.

The high-speed service will be carried over SBC's network and that of Williams Communications Group.

SBC declined to comment on which equipment vendors it may select to help construct and update its networks.
One analyst who declined to be named said equipment makers Lucent Technologies and Nortel Networks may be
likely winners. A report from the *New York Times* said most of SBC's equipment would be provided by French
equipment provider Alcatel.

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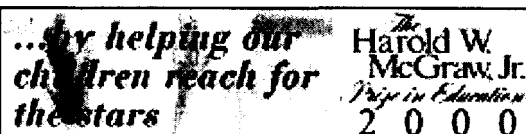
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NEWS FLASH   October 18, 1999

SBC's $6 Billion Bet on High-Speed Data Lines

Its "Project Pronto" promises to put speedy Internet access within reach of 70 million customers by 2003

SBC Communications Inc. is edging closer to its goal of morphing from regional telephone company into a full-service global communications provider. Fresh from federal approval to merge with Chicago-based Ameritech Corp., SBC announced on Oct. 18 that it is launching a $6 billion plan to transform its decades-old telephone networks into a state-of-the-art system capable of delivering speedy Internet service to 80% of its customers.

Under a plan dubbed "Project Pronto," San Antonio-based SBC will restructure its network so that it can offer virtually every customer in its 13-state territory (ranging from California to Michigan to Connecticut) a high-speed data service called digital subscriber line, or DSL. That means by 2003, SBC expects to reach 70 million residences and businesses with the service -- more than double the number of customers it reaches today -- and catapulting the Baby Bell past key rivals in the race to deliver broadband services. With this project "we're going to roll past them in a big way," says Michael Turner, SBC's vice-president for corporate planning.

LICKETY SPLIT. As more Americans go online -- 54% of U.S. households will have Net access in 2002, according to NxGen Data Research -- they're thirsting for speedy connections that can handle such robust applications as videoconferencing and interactive games. To deliver such lickety-split service, phone companies like SBC have deployed DSL, which uses the copper wire of today's phone system to zap computer data at speeds about 10 times faster than a 56 kilobit modem.

SBC's DSL service comes in two flavors: One that guarantees a connection of up to 384 kilobits-per-second and another that promises up to 1.5 megabits per second. Cost for the basic service: about $49 a month, including Internet access. Installation runs an additional $198.

But there's more to SBC's rollout than speed. Over the years, phone companies have struggled to overcome DSL's chief limitation -- that it bogs down more than three miles from the phone company's central office. SBC's project is an aggressive effort to extend broadband service to remote areas that have been left out of the high-speed data party.

LESS COPPER. So serious is SBC about high-speed data, that the company is restructuring its network by running fiber-optic cables deeper into neighborhoods and linking those cables to equipment cabinets housing DSL gear. By running fiber closer to homes, data bits don't travel long distances over sensitive copper wire, so they reach robust fiber lines more quickly. In fact, with the new network, every customer will be less than three miles from DSL-equipped offices. "This is a stunning play," says Jeanne Schaaf, telecom analyst at Forrester Research. "You typically don't see this kind of investment [from phone companies] going into data."

But then, SBC isn't a typical phone company. After gobbling up Pacific Bell and Southern New England Telephone in recent years, it's closing a $63 billion acquisition of Ameritech that will give it a third of the nation's telephone lines. With its latest announcement, SBC is betting that data, more than voice, will be the dominant form of traffic traveling across the world's telecom networks. "Companies like ours had to make a strategic choice," says David Gallemore, a top SBC marketing exec. "[Do we] continue to be a great big voice company that provides some broadband, or say that isn't adequate.... We want to be the country's broadband leader."

Sounds like phone calls won't be this emerging giant's only area of expertise.

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SBC Into Broadband, Pronto

By Dave Marino-Nachison (TMF Braden)
October 18, 1999

In a much-awaited move many believe will add even more heat to the competition in the broadband Internet access industry, leading local telephone services company **SBC Communications (NYSE: SBC)** announced plans to launch "Project Pronto," a three-year, $6 billion play to provide high-speed services in 13 states.

With SBC just closing its over-$80-billion acquisition of phone company Ameritech, it now has enviable access to U.S. markets. And that access will surely expand as the company must follow through on government requirements prompting it to enter 30 more markets over the next 30 months, or pay heavy penalties.

SBC expects to have no trouble getting into the new markets, which it said represent 180 million people and a $40 billion opportunity. But traditional telephone services are considered passe when compared to the expected growth in demand for Internet access, particularly high-speed service either by cable or, as in SBC's case, digital subscriber line (DSL) technology. Cable and DSL humble dial-up access with their speed, and Investors were waiting impatiently for SBC to get on board.

The company plans to spend its billions on fiber optic cable, electronics, and asynchronous transfer mode (ATM) equipment. (Drivers, look for your roads to get torn up as SBC lays new wires.)

A nice bonus for SBC is that the fiber optic equipment helps its network run more efficiently and reliably, with considerable cost savings expected. The company reportedly said to look for annual savings of $1.5 billion -- on top of $3.5 billion in new revenue -- by 2004.

Someone must supply SBC with the aforementioned equipment; look for one or more of the major telecom equipment suppliers to pick up big-dollar contracts as a result of Pronto. Unsurprisingly, analysts mentioned the likes of **Lucent Technologies (NYSE: LU)**, **Cisco Systems (Nasdaq: CSCO)**, **Alcatel (NYSE: ALA)**, and others in reports.

And the corporate world's penchant for "strategic partnerships" moved quickly to co-opt the SBC news. Online brokerage **E*Trade (Nasdaq: EGRP)**, for example, fired off a release denoting its plans to offer a souped-up, co-branded Internet access service to its "Power E*Trade" customers, who get extra services and better rates in exchange for making more trades.
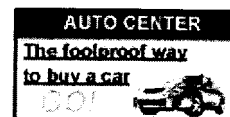
Also standing to gain are consumers, who will likely get to sit back as other companies – their respective Baby Bells, for instance, or national players such as cable aficionado **AT&T (NYSE: T)** – respond to SBC's announcement by ramping up their own broadband deployment efforts, particularly in markets SBC enters as a result of Ameritech-related FCC legislation.

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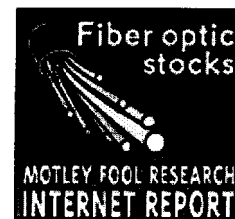SBC Web Site
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NEWS RELEASE

SBC Communications Inc.

SBC LAUNCHES $6 BILLION INITIATIVE TO TRANSFORM IT INTO AMERICA'S LARGEST SINGLE BROADBAND PROVIDER

'Pronto' to Provide 'e-Tone' – Dialtone for the Internet – to 77 Million Americans, Accelerate Company's Move to Advanced Voice, Data, Video Converged Network

Pronto First of Many Benefits of Ameritech Merger

SAN ANTONIO, TX, Oct. 18, 1999 – SBC Communications Inc. today announced an unprecedented, $6 billion initiative designed to transform the company over the next three years into the largest single provider of advanced broadband services in America, making super-fast, always-on Internet access available to nearly all of its customers and creating a platform to deliver next-generation, broadband-powered services.

The initiative – called Project Pronto – is the first of many SBC will undertake to secure the benefits of its recent acquisition of Ameritech for customers and shareholders. Specifically, SBC intends to:

- Provide an estimated 77 million Americans – about 80 percent of its Ameritech, Nevada Bell, Pacific Bell, SNET and Southwestern Bell customers – with always-on, high-speed voice, data and video services via faster Digital Subscriber Line (DSL) services than it currently offers by the end of 2002. Ultimately, the company intends to make broadband services available to all of its customers.

- Rearchitect its network to push fiber deeper into the neighborhoods it serves and accelerate the convergence of its voice and data backbone systems into a next-generation, packet-switched, designed-for-the-Internet network. Together with the advanced, long-haul network of Williams Communications Inc., with which SBC has a strategic alliance, SBC will be able to provide end-to-end advanced voice, data and video services on one of the most sophisticated, efficient, flexible and scalable networks in the industry.

- Dramatically reduce its network cost structure. Expense and capital savings alone are expected to offset the cost of the entire initiative.

- more -

Southwestern Bell   Ameritech   PACIFIC✦BELL   SBC✦   NEVADA✦BELL   SNET   CELLULARONE

- Create a platform to deliver next-generation services including, potentially, entertainment quality video, and expand development and marketing to more quickly bring customers such emerging products as Voice-over-ADSL, personal videoconferencing, interactive online games and home networking.

"This initiative is about the future – about building a new company around how all of our residential and business customers use, and will use, the Internet while providing them with dialtone-like reliability," said Edward E. Whitacre, Jr., chairman and chief executive officer of SBC. "It is also about giving SBC the opportunity to continue to capitalize on incredible growth in data and broadband services and achieve significantly more operating and cost efficiencies well into the next millennium.

"We see a rapidly changing marketplace where traditional dialtone is still a staple service, but where millions of our customers will demand the convenience, productivity, availability and reliability of our broadband service – service which we call 'e-tone,'" said Whitacre. "With Project Pronto, SBC will lead the nation in speeding the widespread availability and meeting the demand for broadband and emerging broadband-powered services."

With the completion of its recent acquisition of Ameritech, SBC is one of the largest telecommunications providers, serving approximately 100 million people or about one-third of the nation's access lines.

"By converting the 'last mile' into a high-speed 'first mile' on-ramp to the Internet, we are making nearly all of our approximately 60 million access lines more powerful for customers and more valuable to shareowners," Whitacre said. "Project Pronto, together with our expanding service footprint and plans to provide long-distance service, is an integral part of our plan to be a full-service, global provider and the only communications company our customers need."

"e-Tone" Unlocks Promise of the Internet

Today, SBC's DSL broadband service features Internet connectivity speeds that are up to 200 times faster than traditional access, allowing for near instantaneous downloads of files and graphics, and effectively ending the "World Wide Wait." It also provides "always-on" connectivity that eliminates frustrating and time-consuming dial-up connections to Internet Service Providers (ISPs) or corporate Local Area Networks (LANs) and makes the computer a true, real-time information appliance.

- more -

Add Two

In the near future, mass availability of broadband service will spur demand by consumers for broadband-dependent applications, such as video messaging, home networking and in-home cordless web devices. It will become a catalyst for small businesses to become e-businesses by providing them with affordable technology. For schools and libraries, readily available broadband service will help bridge the "Digital Divide" and ensure youth of today are prepared for the Internet world of tomorrow. And, it will revolutionize the way Americans work by making telecommuting an even more attractive, productive and common work alternative.

New Broadband Network Increases Reach, Speed of SBC's DSL Service

Project Pronto is creating a vast, sophisticated broadband platform to enable SBC to make DSL service available to the vast majority of its customers in cities large and small over the next three years, and offer new and more powerful broadband-powered services in years to come. The new platform will evolve via a multi-pronged approach:

- In the major metropolitan markets where SBC has begun deploying DSL, the company plans to equip its additional central offices with DSL equipment.

- In these markets, SBC also plans to push fiber deeper into its neighborhoods and install or upgrade "neighborhood broadband gateways" containing digital electronics – essentially pushing network capabilities now housed in central offices closer to customers. The redesign of the local network will eliminate distance constraints that currently limit service reach and enable SBC to provide nearly all customers with DSL service, traditional phone service and next-generation services, all from a single, integrated platform.

- In additional towns and cities outside of major metropolitan areas, SBC plans to deploy DSL services by 2002; however, it will name these markets at a later date.

Earlier this year, SBC announced its plans to deploy DSL in more than 500 central offices. The company will meet this commitment in early November, making DSL service available to nearly 10 million customer locations in Texas, California, Nevada, Missouri and Arkansas. At the completion of Project Pronto, SBC's goal is to quadruple its DSL deployment – equipping approximately 1,400 central offices with DSL technology, laying more than 12,000 miles of fiber sheath, installing or upgrading 25,000 neighborhood broadband gateways – and reach an estimated 77 million Americans in nearly 35 million customer locations in 13 states.

- more -

Add Three

As a result of expanded deployment, SBC customers will be able to receive minimum downstream connection speeds of 1.5 megabits per second (Mbps), with more than 60 percent eligible to receive guaranteed speeds of 6.0 Mbps. The higher speeds will give SBC the capacity to offer numerous personal computer (PC) based video products including video streaming and videoconferencing; in fact, at 6.0 Mbps speeds, users can receive the highest quality video available over a PC. Today, the company's basic DSL service guarantees minimum downstream connections of 384 Kbps or 1.5 Mbps, depending on the package purchased.

Next year, SBC intends to offer advanced broadband-powered services such as:

- **Voice-over-ADSL,** which will provide four additional voice lines, in addition to a DSL line and a primary voice line – all over a single line. SBC is looking at technologies that will allow it to offer, in the future, a similar product that will provide up to 16 additional voice lines over a symmetrical DSL line.
- **Switched Virtual Circuit,** which will allow telecommuters to easily switch between their Internet Service Provider (ISP) and their corporate Local Area Network (LAN) without rebooting their computer.
- **HDSL,** which will feature minimum 1.5 Mbps upstream and downstream connections, allowing teleworkers to send *and* receive data-intensive files.

For many of its business customers, SBC intends to transition its existing copper connections to their premises with state-of-the art fiber optics, enhancing their ability to receive advanced data services and giving them virtually unlimited bandwidth that they can dynamically control.

Business customers will benefit from SBC's line-up of broadband-powered services including Online Office, a suite of services that helps small businesses easily and affordably become *e*-businesses, and Enterprise Virtual Private Network, a suite of equipment and services that allows large businesses to securely connect multiple locations without expensive, dedicated lines.

- more -

Add Four

"With e-tone, we have a powerful way to retain and attract customers in an increasingly competitive market," said James D. Gallemore, executive vice president of strategic marketing and planning for SBC. "It will enable customers to easily access hundreds of emerging, broadband-dependent products and services, and it makes our current integrated packages of services even more compelling. e-Tone also will change the way America goes to work."

In a related announcement (see separate releases for details), SBC today said it will:

- Provide as many as 15,000 IBM telecommuting employees remote access to IBM's corporate network via DSL service in select areas. According to industry analysts, this agreement is the largest announced high-speed remote network application of its kind anywhere.
- Provide high-speed DSL Internet access to thousands of E*TRADE's most active investors, enabling them to react more quickly and effectively to breaking financial market news and benefit from E*TRADE's rich content offerings.

SBC recently announced a similar agreement for thousands of PeopleSoft's telecommuting employees.

Gallemore added that in addition to offering the services and integrated packages business and residential customers want, SBC will be first to market, ahead of competitors.

"All we need is long distance, which is just around the corner," said Gallemore, "to provide consumers and businesses with their total communications needs."

Company Aggressively Migrates to Converged Voice, Data, Video Network

In addition, Pronto is an important step in the company's migration to a converged voice, data and video network, which will be predominantly packet-switched and utilize an Asynchronous Transfer Mode (ATM) distributed network system (ADNS) architecture.

As part of the ADNS architecture, the company plans to deploy the most-advanced, voice-switching technology available today, voice trunking over ATM (VTOA), which will allow the company to efficiently transport voice as it does data communications – via packets – without degradation in call quality or reliability. SBC, working in conjunction with leading equipment manufacturers, has spearheaded the development and testing of VTOA technology and intends to begin field trials next year in Houston and Los Angeles. Upon the successful completion of these trials, SBC plans to complete its VTOA deployment in its largest markets by 2004.

- more -

Add Five

The VTOA technology will result in significantly increased network productivity and scalability, allowing the company to keep pace with skyrocketing volumes of data traffic, offer a full range of voice and data services such as private lines and virtual private networks, and in the future, incorporate a full range of even more advanced technologies.

Importantly, the VTOA technology results in significant cost savings by greatly reducing any future investment in traditional tandem circuit-switched equipment and improving trunking efficiency by 50 percent.

"We are taking aggressive steps to ensure that SBC's network remains among the most-advanced and cost-efficient in the industry and that we can serve our customers' needs well into the millennium with the same quality and reliability they receive today," said Whitacre.

"Also, while other service providers tout their next-generation networks, only SBC will have all the pieces to provide end-to-end service," said Whitacre. "Our network combined with the long-haul network of Williams, which has one of the newest and highest-quality networks in the world, will allow SBC to offer both a first-class network and the breadth of reliable and advanced products and services that customers want."

Pronto Increases Shareowner Value

SBC's more than $6 billion Project Pronto investment is targeted to decrease future capital requirements, reduce network operating expenses, and generate $3.5 billion in new revenues by 2004.

"With our Project Pronto broadband deployment and the accelerated pace of our national markets rollout, SBC is targeting double-digit annual revenue growth by 2001 with strong 8 percent to 9 percent growth in 2000. This is at least a 100-basis-point improvement over SBC's previous plans," said Donald E. Kiernan, chief financial officer for SBC. "Even as we make these value-creating investments in broadband capability and the national expansion into 30 additional major markets, SBC's goal is to achieve mid-single-digit earnings growth in 2000 before one-time items. Driven by the strong top-line revenue growth from our broadband and national markets growth initiatives, we are targeting 15 percent earnings growth in 2001 and beyond."

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